Is Aurora Cannabis (TSX:ACB) Stock a Buy After the Market Crash?

Description

Aurora Cannabis Inc (TSX:ACB)(NYSE:ACB) stock has been beaten down badly in recent months. It had already been in a bearish trend before the March stock market crash, which proceeded to take it even lower. By April 22, the stock was trading for $1, a price it hadn't seen since 2016.

Despite all this, the company's sales have actually been growing. In its most recent quarter, ACB grew its sales compared to the same quarter a year before. The result of this has been ACB getting cheaper–by some metrics–than it had been in years, which doesn't necessarily make the stock a buy. That said, it may now be worth looking at in light of the latest developments.

Cannabis sales reportedly doing well

One trend that has been benefitting Aurora recently is an increase in legal cannabis sales.

Cannabis is one type of product that may have actually seen its sales *increase* in the COVID-19 era. According to a recent *CTV News* report, legal cannabis shops in Alberta reported major sales increases in the wake of the pandemic. A similar story in *Reuters* reported a 100% increase in online orders in Ontario, and a 76% increase in Nova Scotia.

We'll have to wait on Statistics Canada data to see if there was an *aggregate* increase in cannabis sales nation-wide, but it looks like they were up in at least some provinces.

These statistics are consistent with long term economic trends. During economic crises, people tend to increase their consumption of "vice" products like alcohol and tobacco. Legal cannabis would certainly be in the same category, making the recent cannabis sales trends in line with similar products.

Aurora's latest earnings

Aurora's recent earnings agree with the general observation that cannabis sales are rising nationwide.

In its most recent quarter, Aurora did $63.6 million in sales, up from $59.4 million in the same quarter a year before. These results are for the quarter ended December 31st 2019, so the pandemic was not in full swing yet. Nevertheless, we did see a positive trend in Aurora's sales.

Earnings, on the other hand, were a different story. In the same quarter that it recorded $63.6 million in sales, Aurora had a $1.3 billion net loss. Granted, that was mostly due to goodwill impairment, which isn't a cash loss, but even without non-cash charges, the company lost $119 million. That's a bigger loss than in the same quarter a year before.

So we've got a company here that's simultaneously cheaper than ever relative to sales, but also running bigger losses than ever. This type of stock is hard to value because it's showing a mix of positive and negative signs.

Foolish takeaway

Despite its lower price relative to sales, I wouldn't buy Aurora Cannabis stock right now, as the company's losses just keep getting bigger and bigger. It's normally for young "growth" companies to lose money, but a trend toward ever *larger* losses is not a good sign.

Furthermore, any increase in cannabis sales from the economic crisis will be short lived, as the consumption of vice products in recessions tends to fade as the crisis abates.

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